



New Clerk-Treasurer's Conference

Department of Local Government Finance

**Dan Jones,
Assistant Director, Budget Division
January 9, 2012**



Topics

- Introduction to DLGF
- Status of 2012 Budget
- Budget Overview
- Budget Process
- Maximum Levies
- Circuit Breakers and Odds & Ends
- Introduction to Debt Management



Department of Local Government Finance (DLGF)

- DLGF is a state department that is charged with assuring equality and fairness in the property tax and assessment procedures
- DLGF establishes the procedures and rules for property assessment.
- DLGF certifies all property tax rates and tax levies within the state.



Department of Local Government Finance (DLGF)

- DLGF is comprised of four divisions:
 - Commissioners Office
 - Budget Division
 - Assessment Division
 - Data Analysis
- Most of our staff are “field representatives”
 - 12 in the Budget Division
 - 7 in Assessment



Department of Local Government Finance (DLGF)

- Functions of the Budget Division:
 - Review and approve appropriations from any tax supported fund
 - Review and approve appropriation increases and decreases to tax supported funds
 - Certify all property tax rates and levies in the state
 - Certify the establishment of new units/funds/rates/levies
 - Enforce Indiana's maximum levy controls



Overview of Budgeting

- **Budget:** A financial plan that includes both revenues and expenditures and covers a specified period of time
- In Indiana, the specified period of time is June 30th through Dec. 31st of the following year (18 month plan). The budget year is a calendar year.
- All revenues are considered “miscellaneous” except for property tax



Glossary of Budget Terms

- **Appropriations**- Authority by fiscal body to expend funds
- **Cash**-Monies on hand or invested
- **Controlled Levy**-Property taxes which are chargeable against maximum permissible levy such as the general fund
- **Exempt Levy**-Property taxes raised that are outside of the maximum levy such as debt



Glossary of Budget Terms

- **Fund** – A separate set of accounts established for the purpose of carrying out a specific purpose or activity.
- **Levy**-Property taxes raised or charged based on the value of the real and personal property
- **Maximum Levy**- the maximum amount of property tax that may be raised in any budget year as determined by statute

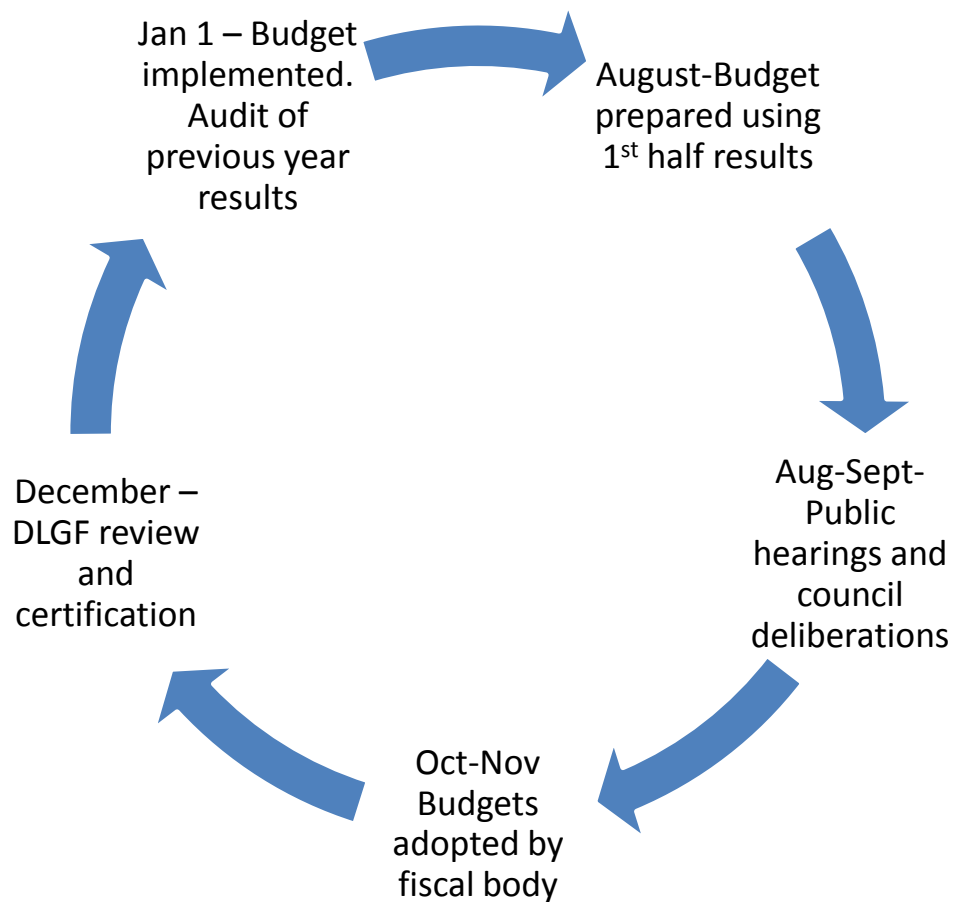


Glossary of Budget Terms

- **Taxing Unit** – An individual taxing authority such as a county, a city or town. It has a legal jurisdiction. The tax rate(s) established by the unit is a component of the tax district rate
- **Taxing District** – a geographic area that is composed of multiple taxing units



Budget Process





Budget Calendar

Calendar is a schedule of key events – Many dates are statutory

June 30	Beginning of budget cycle
August 1	Certification of NAV's by County Auditor
September 2	Last date for 1 st advertisement of public hearing for budget
September 9	Last date for second advertisement of public hearing for budget
September 16	Last date to submit to county council for review
October 17	Last date for council to issue non-binding recommendation
October 21	Last possible date for public hearing
November 1	Last possible date to adopt budget, rates, and levies
January 1	Budget implementation
February 15	Deadline for DLGF to certify budgets, rates, and levies



Status of 2012 Budget

- DLGF is currently reviewing the 2012 budgets for all units
- DLGF field representatives verify that all requirements for annual budgets have been complied with and that available funding exists for those various funds
- Budgets, rates, and levies are required by Indiana Code to be certified by Feb. 15th
- Reassessment scheduled for completion March 1, 2012 for taxes payable in 2013



Budget Requirements

- Budgets cannot exceed available funding
- Budgets must be advertised as prescribed by DLGF
- Public hearing must be held at least 10 days before adoption and 10 days after public notice
- Budget, rates, and levies given to county council for a “non-binding recommendation”
- Budget adopted by appropriate fiscal body by Nov 1st



Budget Recommendations

- All units that intend to levy a property tax (except counties and schools) are to submit the proposed budget, tax rates and levies to the county council for a budget recommendation.
 - “Non binding” recommendation for units with elected fiscal body and submitted to council at least 45 days before adoption meeting.
 - Council makes a recommendation at least 15 days before adoption meeting.
 - “Binding” recommendation (adoption) is for units with an appointed fiscal body or as required by statute.
 - IC 6-1.1-17-3.5



Budget Recommendations

- IC 6-1.1-17-20 requires solid waste districts, conservancy districts (with appointed boards), fire protection districts, and other “non-elected” boards (when budget increases more than the AVGQ) to submit budgets for adoption by county or city fiscal body.
- Submission to council is at least 30 days before adoption meeting.
- Failure to comply results in a frozen budget and levy for ensuing year.



Budget Recommendations

- A county council shall complete the review at least 15 days before the civil taxing unit fixes the budget, rate, and levy
- The recommendation must include a comparison of any increase in the unit's budget, or tax levy to:
 - Average increase in **Indiana** nonfarm personal income for preceding six years and average increase in Indiana nonfarm personal income for the **county** over the last six years and;
 - Increase in the budgets and levies of other civil taxing units in the county

These are minimum requirements on county councils



DLGF's Review of the Budget

- DLGF begins reviewing budgets in order based on when NAVs were submitted and all units of the county have submitted their budget forms on Gateway.
- DLGF will schedule a public hearing through the county auditor's office. The hearing will cover all budgets of all units in the county.
- DLGF will issue a "1782 Notice" to each unit notifying the unit of actions taken by the DLGF. Units have 10 days to respond to the "1782." A prompt response helps county receive property tax rates earlier.
- DLGF issues the Budget Order by Feb 15th, certifying the appropriations, property tax levy and rate for each civil taxing unit and each fund.



Most Common Reasons Budgets or Levies are Denied

1. Budget was not advertised by Sept. 2nd and 9th
2. Budget was not submitted for “Recommendation”
3. Fiscal body did not adopt by Nov. 1
4. Less than 10 days between public hearing and adoption meeting
5. Budget adopted before receiving “recommendation” and before 45 days had passed
6. Annual report and annual compensation report not filed with State Board of Accounts (new this year)



Budget or Levy Denial:

- If the previously discussed conditions were not satisfied:
Both the budget and property tax levies are frozen at previous years level
 - Unit will not realize the AVGQ growth in the levy
 - Budgets, levies, and rates may decrease but cannot increase
 - Frozen levy may impact future years distribution of income taxes
 - These situations are not a basis for excessive levy appeals
 - Appropriations may be increased with approval of an additional appropriation within available fund balances except when denial is due to not filing of TA 7, 100R or annual report.



Additional Appropriations

- Process is used to increase budget above the amount certified by the DLGF – *(This does not increase revenues)*
 - Last day to file is December 15th
 - Amount of budget increase is to the extent of available fund balances
 - Process:
 - Step One: Publish notice of public hearing 10 days before meeting
 - Step Two: Fiscal body takes action at public hearing
 - Step Three: File appropriate paperwork with DLGF
 - Step Four: DLGF determines if sufficient funds are available
 - Step Five: DLGF issues an Order*
- * “Reporting Only” funds receive a notice



Maximum Levy

- Maximum levies are limits to how much property tax a unit may charge and receive.
- Generally, levy increases are limited to the previous years maximum levy plus a state-wide average growth quotient.
- Property tax levies for debt service requirements are outside of those limits/controls, but the tax payers are still protected by the circuit breakers or “caps” unless the debt is approved by voter referendum
- To exceed maximum levies, units must successfully appeal for “excessive levy.”



Maximum Levy Changes

- Elimination of “Use it or Lose it” provision – HEA 1288
 - Units no longer lose max levy by not levying up to the maximum
- Max levy calculation is to apply AVGQ to last year’s max levy
- HEA 1004 adjustments:
 - Annexation appeal is percent of increase in AV due to annexation up to 15% or
 - The amount of the excess levy appeal awarded as a result of the annexation
- No unit should have a max levy lower than 2011 max levy
 - If they do, the DLGF may grant a permanent adjustment to the max levy in an amount less than or equal to the difference
 - An appeal for this adjustment is by following procedure for other max levy appeals (for 2012 only)



Excessive Levy Appeals

- Units may apply to the DLGF for an “Excessive Levy Appeal.” A successful appeal allows units to levy a property tax above the maximum levy controls.
- Eligible appeals include:
 - Annexation, Consolidation or extension of services
 - Shortfall of property taxes collected due to refunds and appeals
 - Correction of advertising, data or mathematical Error
 - Emergency – unforeseen circumstances such as blizzard, flood, fire, etc.
 - Three year Growth of Assessed Value exceeding 1.02% of state-wide growth factor
 - See IC 6-1.1-18.5



Circuit Breakers

- Circuit Breakers are property taxpayer protections
- Circuit Breakers place a limit on the amount of tax that a property may be charged. The limit is based on how a property is classified. The limit is a percent of the “gross” assessed value of the property. Property is taxed based on the “net” assessed value.
- Limits are:
 - 1% on Gross AV of Homesteads
 - 2% on Gross AV of Residential or Agricultural and
 - 3% of Gross AV of all other (Commercial & Industrial)
 - See IC 6-1.1-20.6



Circuit Breakers

- A unit may now transfer (instead of appropriate, as was previously required) money from a fund to a debt service fund if the debt service funds has been negatively affected by circuit breaker credits.
 - Requires passage of ordinance or resolution. IC 6-3.5-8-5.1 (HEA 1275)
- Property taxes for referendum funds, Lake and St. Joseph counties debt funds, are exempt from circuit breaker credits. Property tax will be distributed to those funds with no cap impact. Caps will reduce the distribution to the “non-exempt” funds.
 - IC 6-1.1-20.6-9.8



New Year Reminders

- Respond promptly to the 1782 Notice.
 - Review the 1782 Notices CAREFULLY!!!
- Budgets or additional appropriations cannot be approved if 2010 CTAR, 100R, or TA-7 has not been filed with SBOA.
- Submit all additional appropriation requests to DLGF by Dec. 15th for a response by December 31st.
- Debt is to be reported through Gateway by March 1st.
- Possible payroll changes related to FICA.
- Reassessment is scheduled for completion on March 1 of 2012 for taxes payable in 2013.

Remember: Reassessments are revenue neutral in Indiana



Debt Reporting Overview

Reports Concerning Bonds and Leases of Political Subdivisions

- IC 5-1-18-1
"Bonds"

Sec. 1. As used in this chapter, "bonds" means any bonds, notes, or other evidences of indebtedness, including guaranteed energy savings contracts and advances from the common school fund, whether payable from property taxes, other taxes, revenues, or any other source. However, the term does not include notes, warrants, or other evidences of indebtedness made in anticipation of and to be paid from current revenues of a political subdivision actually levied and in the course of collection for the fiscal year in which the notes, warrants, or other evidences of indebtedness are issued.

As added by P.L.199-2005, SEC.2.



Debt Reporting Overview

IC 5-1-18-6

Information report for bonds and leases

Sec. 6. A political subdivision that issues bonds or enters into a lease after December 31, 2005, shall supply the department with information concerning the bond issue or lease not later than December 31 of the year in which the bonds are issued or the lease is executed.

Requirement for reporting leases only applies to real estate leases. It is not necessary to report equipment leases.



Debt Reporting Overview

IC 5-1-18-9

Bonds or leases outstanding; annual summary report

Sec. 9. Each political subdivision that has any outstanding bonds or leases* shall submit a report to the department before March 1 of 2006 and each year thereafter that includes a summary of all the outstanding bonds of the political subdivision as of January 1 of that year.

**Real estate leases only*



Debt Reporting Overview

IC 5-1-18-9

The report must:

- (1) distinguish the outstanding bond issues and leases on the basis of the type of bond or lease, as determined by the department;
 - (2) include a comparison of the political subdivision's outstanding indebtedness compared to any applicable statutory or constitutional limitations on indebtedness;
 - (3) include other information as required by the department; and
 - (4) be submitted on a form prescribed by the department or through the Internet or other electronic means, as determined by the department.
- As added by P.L.199-2005, SEC.2.



Contact the Department

- Courtney Schaafsma, Director of Budget Div.
 - Telephone: 317.234.3937
 - Email: cschaafsma@dlgf.in.gov
- Dan Jones, Asst. Director of Budget Div.
 - Telephone: 317.232.0651
 - Fax: 317.232.8779
 - E-mail: djones@dlgf.in.gov
- Field Representatives
 - Telephone: 317.232.3777
- Web site: www.in.gov/dlgf
 - “Contact Us”: www.in.gov/dlgf/2338.htm